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FISCAL IMPACT STATEMENT

LS 7527

BILL NUMBER: HB 1669

NOTE PREPARED: Jan 11, 2009

BILL AMENDED:

SUBJECT: Geothermal conversion loans.

FIRST AUTHOR: Rep. Michael

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☐ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

STATE IMPACT	FY 2009	FY 2010	FY 2011
State Revenues			
State Expenditures		1,000,000	1,000,000
Net Increase (Decrease)		(1,000,000)	(1,000,000)

Summary of Legislation: This bill provides that for purposes of the referendum statutes and the petition and remonstrance statutes, a project for the installation of a geothermal heating and cooling system in a new school facility or the replacement of a conventional heating and cooling system in a school facility is not a "controlled project". (Under current law, only controlled projects are subject to the referendum statutes and the petition and remonstrance statutes.)

It establishes the Geothermal Conversion Revolving Fund (Fund) for the purpose of making loans to school corporations that: (1) install a geothermal heating and cooling system in a new facility; or (2) install a geothermal heating and cooling system that replaces a conventional heating and cooling system. It provides that the Fund is administered by the Department of Education (Department). It requires the Department to establish a written procedure for providing loans from the fund to school corporations. It specifies that a loan from the Fund may not exceed the difference between: (1) the cost of installing a geothermal heating and cooling system; and (2) the cost of installing a conventional heating and cooling system. It requires a school corporation to enter into a loan agreement with the Department before receiving a loan from the Fund. It requires the Department to report annually to the Budget Committee concerning the projects funded with

loans from the fund. It appropriates \$2,000,000 to the Fund from the state General Fund.

Effective Date: July 1, 2009.

Explanation of State Expenditures: This bill establishes a Geothermal Conversion Revolving Fund for the purpose of making loans to school corporations that are either installing a geothermal heating and cooling system in a new facility or are replacing a conventional heating and cooling system with a geothermal system. It appropriates \$2 M from the state General Fund for FY 2010 and 2011 to be used to implement its provisions. It requires the Department of Education to administer the fund and to develop written procedures for providing loans from the fund to school corporations. The Department has to report annually to the budget committee concerning the projects funded with loans from the fund. This could add administrative duties to the Department of Education. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

Explanation of State Revenues:

Explanation of Local Expenditures: This bill authorizes school corporations to borrow money from the Geothermal Conversion Fund to purchase a geothermal heating and cooling system (new school) or replace a conventional heating system with a geothermal one. The amount of the loan would be the difference between the geothermal and the conventional systems. For the purposes of this bill, the installation of a geothermal system is not considered a controlled project and therefore not subject to a referendum or a remonstrance process.

The school corporation has to file an application with the Department of Education which has final approval. The corporation would have up to 15 years to repay the loan either from its general fund or from its capital projects fund. Under this proposal, the number of school corporations that find it economically feasible to install a geothermal system could increase. As a result, the demand for loans might be more than the amount appropriated for the Geothermal Conversion Fund. The Department of Education is charged with selecting projects for which loans will be made.

Background: According to the Department of Energy, geothermal systems are capable of using up to 30% less energy than conventional systems. Even though they may be several times more costly than conventional systems to install, the additional costs could be amortized within 5 to 10 years. System life is estimated at approximately 25 years. Approximately 50,000 systems are installed in the US annually.

State Agencies Affected: Department of Education.

Local Agencies Affected: School Corporations.

Information Sources: Department of Energy Website: <http://www.eere.energy.gov/>

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